Financial Ombudsman Service

complaint

Mr R complains that The Prudential Assurance Company Limited gave both him and his wife erroneously high values for his personal pension plan, which resulted in his wife giving notice of retirement to her employer. He also complains that as a result of this and its salesman's actions in trying to recommend a drawdown plan, Prudential delayed the process of him taking an annuity.

background

Mr R was due to reach his retirement date in 2017, so in February that year Prudential started sending him so-called 'wake up' letters to remind him of his options. Leading up to that point Prudential had regularly been quoting him fund values a little in excess of £100,000. It was only quoting one policy number (ending …92) in annual statements, but split this into separate sub-values for the former protected rights (FPR) and non-protected rights (NPR) components. (About 40% of the plan was FPR).

Slightly different retirement dates were set for the FPR and NPR components. So two wake up letters went out – one in February 2017 giving a value of £64,589, and a second in April 2017 giving a value of £43,184. The …92 policy number was quoted on both letters. Mr R then asked for an annuity quote, which Prudential posted on 14 July for the NPR element only. On 16 August Prudential has an internal note saying, *'Please can you update system with fund value for policies …92 and …46, thanks.'*

It appears Mr R called again on 21 August and Prudential's note says *'Please send options pack and* [Money Advice Service] *guide for Non PR part of the policy to address on file.'* There's a record of Prudential writing to Mr R that day with a transfer value of £112,489 in the event that he wanted to transfer his policy elsewhere.

At this point Mr R gave a letter of authority for his wife to discuss the plan with Prudential. A further wake up letter followed on 13 September quoting the combined value of £113,280 for both FPR and NPR components. Two weeks later Mr R was sent his annual pension statement with a value of £112,705. This was again broken down into a NPR and FPR value.

As Prudential hadn't received Mr R's retirement selection, it wrote to him on 20 October explaining that it had deferred his retirement date to 2022 (it appears this was for the NPR part of the pension). This letter erroneously said, *'Please note that you still have a fund of £226,391.40 which you can access whenever you are ready…'*

Mrs R says she immediately called Prudential to query this figure and was told it was correct. Prudential hasn't provided a note of this call but in an internal email on 26 October a Prudential employee was querying the value of 'both' Mr R's numbered plans. A week later they were given the answer that the total transfer value was £113,435, and the …46 plan was a 'dummy plan'. This note may, therefore, relate to a call Mrs R had made.

Mr and Mrs R decided that they'd like to get advice to understand Mr R's options. On 16 November they first met a Prudential adviser, who didn't bring his own valuations and used Mr R's figure of £226,391. Before completing this process Mrs R decided to give three months' notice to leave her job on 23 November. Her employer wrote back on 6 December to confirm that they would *'now action this* [including notifying other staff] *and commence recruitment activities for a replacement member of staff'.*

Mr and Mrs R were unhappy with the adviser's reference to drawdown instead of buying an annuity, so they appointed an independent financial adviser (IFA) who attended their next meeting ‘incognito’ on 27 November. The IFA also wrote out for full policy information on Mr R’s plans. A reply in writing followed on 13 December, giving a transfer value of £113,889 and did not refer to the …46 policy number. But by this point he IFA had already issued his recommendations to Mr and Mrs R based on the erroneously high value.

The IFA called again on 18 December to query the transfer value. On the same day Prudential sent another letter to confirm that it had defaulted to a new retirement date for the FPR part of the pension. It confirmed the transfer value was £113,897. Mrs R says they took no action with this letter because they thought it was referring to the FPR only.

On 27 December Prudential quoted Mr R’s IFA another transfer value of £114,129. Mrs R weren’t satisfied the value was correct. She says she was aware that Mr R had two ‘pots’ (FPR and NPR), and thought only the value of one pot had been quoted. She says she phoned Prudential the following day to query this, and at this point was told that the …46 plan number was actually the FPR pot. So Mr R actually had three pots, although the call handler couldn’t give Mrs R a value for the second plan. Their IFA then raised a formal complaint about the conflicting information because Mrs R had retired early based on this.

Mrs R called Prudential the following day to query this information again. Prudential then confirmed that the …46 number was a ‘dummy’ plan created for administration purposes. But she says Prudential gave the impression that there was still a further sum of FPR yet to be quoted for the …92 plan. However that same day Prudential issued its final response letter apologising for what had happened but clarifying that only the £114,000 was available. It noted that the higher value wasn’t consistent with any other valuations it had provided. So it was only willing to make a distress and inconvenience payment of £350.

Mr and Mrs R were then concerned to receive a further wake up letter (which it appears was for the NPR component of the plan and the retirement date hadn’t correctly been reset). This prompted Mrs R to call Prudential saying she was totally unsatisfied with its offer of £350 given that they were now being quoted a value of only £72,524. Their IFA added that he’d witnessed a ‘hard-sell pitch’ for drawdown, and during the meeting the Prudential adviser reinforced that the fund value was actually £226,391. He highlighted that at the end of 2017 Prudential had given him and Mrs R conflicting information about the value simultaneously.

Meanwhile Mr and Mrs R continued to deal with the IFA – who notes on 5 January 2018 that they wanted a joint life annuity ‘once the value of all the policies is clear’. He repeated his request for full policy information on 31 January. Prudential gave a fresh reply to this on 15 February, and the IFA maintains that this was the first point at which they could be certain the policy value was only £114,000. This led to Mr R taking his annuity on the open market on 15 March. The same day Prudential issued a further final response and a cheque for an additional £100 to Mr R (including £25 for phone calls).

Prudential disagreed that its adviser aggressively pushed drawdown to Mr and Mrs R; pointing out that it was an exploratory meeting; he’d been willing to gather information about enhanced annuities at their request; he’d not been incentivised to sell drawdown; and in fact had not reached the point of formulating his final recommendation. It accepted that the adviser had relied on the incorrect valuation from October 2017 in good faith, but maintained that this would have appeared erroneous against the other values Mr R had been given.

Mr R’s IFA brought the complaint to the ombudsman service, additionally highlighting that *‘The cost to the clients in bringing this to fruition is now considerably greater in terms of our fees due to Prudential’s mistakes’.*

One of our investigators didn’t think the complaint should succeed. He said:

- He couldn't corroborate what was discussed about drawdown, but in any event Mr and Mrs R chose not to buy a drawdown plan and appointed the IFA.
- He was satisfied that the amount now paid from Mr R's policy was the correct value.
- Mr R had previously been given a much lower value of the policy, at his request, and his annual statements also quoted lower values. A further lower valuation was also issued after the incorrect one in October 2017.
- He didn't think Mr R's annuity could have been purchased in January 2018 because it actually took some time for the IFA to set this up after the value was clarified.
- £450 in total was sufficient compensation for Mr and Mrs R's loss of expectation.

Mr R's IFA didn't have anything further to add. Mrs R wasn't happy because the investigator hadn't dealt with the further miscommunication from Prudential after the incorrect October valuation. She said this had caused her ill health from stress, and a loss of a £37,000pa income from her employment. She expected the investigator to obtain transcripts of phone calls to get to the bottom of this.

The investigator wasn't persuaded to change his opinion. He added:

- Prudential made a mistake with one valuation given prior to Mrs R's decision to retire early. If this mistake had been repeated over a longer period it may have been more reasonable for Mr and Mrs R to expect this to be the true value of his fund.
- The annual statements Mr R received over a long period of time made clear that there were never three pots.
- He agreed there was further miscommunication particularly in December 2017, but that Mrs R had already resigned from her job at that point. It was difficult for him to conclude that the sole reason for her resigning related to the incorrect valuation.
- Having considered the call and system notes available – and Mrs R's recollections of those calls – the compensation awarded by Prudential was reasonable and in line with what we would have awarded if no offer had been made.

Mrs R maintained that her employer's letter acknowledging her resignation specifically stated that she *'…would like to spend more time with your family and that you are now in a position to be able to do that financially.'* As agreement couldn't be reached, the complaint has been passed to me for a final decision.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I've reached the same overall outcome as the investigator, for similar reasons. I'll explain this below.

Although Mrs R is bringing this complaint, I have to take into account that Mr R is Prudential's customer and the complainant. I can't disregard the knowledge Mr R would reasonably have accumulated, over a number of years, that his pension was worth in the region of £100,000. It's also reasonable for me to take into account that Mr R would have known that his pension was under a single policy number, split roughly 60/40 into NPR/FPR. In addition, the 21 August 2017 transfer value Prudential issued included the following:

> *'The only pension plan held by you is …92*
> *Plan number …46 was created for administration purposes only. You will not have any*

> *documents showing this reference and he* [sic] *does not need to quote it in any correspondence. We will not use this number in any correspondence, all letters and quotations will only show plan …92.'*

As this was a response to Mr R's request that same day, it's reasonable for me to conclude that Mr R would have read it. Or if he hadn't, he'd made it available to his wife who was acting on his behalf – and for that matter their IFA.

I think Prudential's internal note on 16 August about 'updating the system' with both policy numbers was borne out of a misunderstanding. It appears that quite a few of Prudential's staff, including those that Mrs R later spoke to, were unaware of the process of creating 'dummy' policy numbers. I'm also aware that Prudential's systems allow retirement dates that don't fall on the consumer's birthday to be specified. So the fact that Mr R's FPR and NPR components had slightly different retirement dates has also caused some confusion.

But whilst this isn't an excuse for the misinformation provided, I think that Mr R (or anyone representing him) was actually in a better position to delay an irreversible financial decision being made on the basis of incorrect information – until that incorrect information was 100% clarified – than someone they spoke to in Prudential's call centre. I say this because:

- Mrs R's recollections about clarifying the October 2017 valuation over the phone suggest that she did suspect this was incorrect.
- Although a note of her phone call isn't available, I see no reason to doubt what she is saying; it would be similar to the miscommunications later on in December. But given the potential in any case for misunderstandings to happen over the phone, it would have been reasonable for Mrs R to be cautious as written valuations tend to carry the most weight – particularly when a critical financial decision is about to be made.
- In this case Mr R had been given one incorrect written valuation – but all the others, over many years, quoted the lower value. He'd also been told in writing that there was another 'dummy' policy to which he *wasn't* entitled.
- Whilst it's clearly very unfortunate that the staff Mrs R may have spoken to weren't sufficiently trained to recognise this, I think it was reasonable for her to seek clarification of this in writing before resigning from her job. That's particularly given the warning about the extra policy number which was a likely explanation.

So I'm not satisfied it was reasonable for Mrs R to decide to retire early in reliance on one erroneous policy valuation – and one phone call to confirm it, which wasn't in writing. I appreciate the Prudential adviser adopted the £226,391 valuation – and with hindsight it's again very unfortunate he didn't bring his own, which would hopefully have been half the size. But I'm not satisfied that the adviser's tacit agreement gave the categoric confirmation Mrs R reasonably needed, in writing, that Prudential was aware the policy value had evidently doubled overnight – and this was because Mr R was actually entitled to the proceeds of the …46 policy (contrary to previous communications).

It also seems unlikely Mr or Mrs R raised the discrepancy afresh when they were face to face with the adviser which, again, I think it was fair for them to do – given that investment growth alone couldn't reasonably explain the discrepancy. On the balance of probabilities I would expect to find a note of such an important issue being raised at the time. So I don't think it's right to attribute significantly greater certainty to the value being correct, simply because the adviser didn't comment on it.

It would, in any event, be difficult to conclude that the *only* reason Mrs R retired early was because there was £228,000 instead of £114,000 in Mr R's policy. I don't doubt that she mentioned being in a comfortable financial position to her employer at the time, but that doesn't mean there might not have been other contributing factors to that decision – including her age and priorities in life and the fact her husband was also retiring.

Nor is it clear the extent to which she might have been able (or wanted) to revisit/postpone her decision. Within 1-2 weeks of her employer acknowledging her notice and starting to look for a replacement, doubt was then immediately cast by two further valuations. I understand Mrs R didn't think these valuations were quoting the whole policy. But neither the NPR or FPR part of the policy had ever come close to £100,000 on its own. Given that they were back in line with all but one previous written valuation, I don't think she and Mr R could have placed much comfort in them.

As I can't safely conclude that Prudential has caused the loss of Mrs R's earned income, I've gone on to consider what would be an appropriate award for loss of expectation, repeated misinformation by several call handlers, and any possible delay to Mr R starting his pension. But my starting position here is that Prudential has already offered (and I believe paid) a total of £450 to Mr and Mrs R. We make a range of awards for compensation for distress and inconvenience and that sum is broadly at the upper end of what we would award for 'moderate' upset, or at the lower end of what we would award for 'substantial' upset.

I've taken into account that Mr R's expectations, as the complainant, of how much he would get from his pension were only raised for a brief period rather than say over many years. It made no difference, for instance, to decisions he might have wanted to make about how much to pay *into* his pension. Having said this I agree that the service Prudential provided to Mrs R as his representative over the phone was poor. I appreciate she'd like me to obtain call recordings but it seems to me Prudential has already accepted that there was a training issue with its staff, and they provided incorrect information on a number of occasions.

So for the purposes of this decision I accept that Mrs R made the calls she says she made, and Prudential exacerbated its error in these calls. But even after it was apparent that Prudential's customer service team were confused about the 'dummy' policy number, which their IFA had understandably made a formal complaint about, Mrs R continued to make phone calls which – not surprisingly – elicited further incorrect information.

I appreciate Mrs R was doing this because she'd given in her notice, but I've already found it isn't reasonable to hold Prudential responsible for that decision. So the alternative would have been to await Prudential's first final response letter – which I note was in any case issued very quickly at the end of December 2017, given that it was a holiday period.

Mrs R also continued to dispute the lower valuation in early January 2018. But I think it would have been apparent that this valuation most likely related to the NPR part of the policy only – and didn't amount to a contradiction of the final response letter Prudential had already issued. It was consistent with previous values of the NPR component, albeit that for some reason the deferment of the retirement age wasn't yet reflecting on Prudential's systems.

It was clear from its final response at this point that Prudential had now got to the bottom of why erroneous valuations had been issued previously. So having considered how Prudential dealt with Mrs R and the IFA in the round, I agree that it has caused a moderate to substantial amount of upset for which £450 would be fair compensation.

The investigator has noted that it took some further time for Mr R's annuity to be set up even after the fund value discrepancy was clarified. I'm aware a second complaint was raised which included concerns about the drawdown sales pitch – but I don't think this should have stopped Mr and Mrs R continuing with their annuity purchase to mitigate any further loss.

Prudential's adviser had been entitled to highlight the potential benefits of drawdown to Mr and Mrs R, particularly at a time of historically low annuity rates. But there's no reason that forming a new relationship with a financial adviser would always be successful, given the personal nature of financial advice. It's clear Mr and Mrs R already had an opinion of what they wanted to do, and ultimately preferred to use an IFA. This doesn't demonstrate that the Prudential adviser did something wrong for which I can make an award.

From what I can see the IFA had already given advice based on the wrong fund value, and I can't see that he was aware at the time of doing so that this value was in doubt. So naturally he had to revise his advice – and I can see he was waiting for updated policy information from Prudential in order to do this. He had to research the open market to find the best annuity quote for Mr R. All of these things take time.

So I'm not persuaded that Prudential delayed the annuity purchase process to a significant enough extent that would warrant further investigation of what fund value and annuity rate might have been available at a slightly earlier date. It also isn't necessarily the case that Mr R would have lost out from the timing of his annuity purchase because values can change both upwards and downwards.

We haven't heard further from Mr R or his IFA since the investigator's view about any fees he might have had to pay his IFA specifically as a result of the incorrect fund value. I'm not sure the IFA is seeking to make a specific charge, despite it being mentioned to Prudential originally. But given what I've said above I don't think it would be fair to expect Prudential to pay these costs – given the opportunities that were missed for the lower value to be categorically confirmed in writing before the IFA became involved.

my final decision

I haven't found that Prudential is ultimately responsible for Mrs R's decision to retire early or any additional advice costs. But I agree that Prudential has caused a significant amount of distress to Mr and Mrs R for which it's already offered and/or paid £450 compensation. I make no further award than this. So The Prudential Assurance Company Limited should pay any outstanding amount of this sum to Mr R.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 29 October 2018.

Gideon Moore
ombudsman